

Message Text

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ACTION EB-07

INFO OCT-01 NEA-06 ISO-00 CIEP-01 INT-05 FEA-01 CIAE-00

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AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DOHA UNN

AMEMBASSY IDDA

AMEMBASSY MANAMA

AMEMBASSY TEHRAN

AMEMBASSY ROME

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BEIRUT PASS BAGHDAD

COMMERCE FOR MEPD

E.O. 11652: N/A

TAGS: ENRG, EIND, KU

SUBJECT: REFINERY DEVELOPMENTS IN KUWAIT

REF: KUWAIT 4373

1. PRESENTLY KNPC ACTIVELY ENGAGED IN EXPANSION OF SHUAIBA REFINERY. ITALIAN FIRM, SNAM-PROGETTI PERFORMING DEBOTTLENECKING OF REFINERY, BUT COMPANY HAS RUN INTO SERIOUS EQUIPMENT DELAYS, PARTICULARLY IN PIPE WHICH BEING MANUFACTURED IN ITALY. MOREOVER, FIXED-PRICE CONTRACT REACHED LAST OCTOBER NOW HAMPERING SNAM-PROGETTI WHO PROBABLY WILL LOST MONEY ON PROJECT. KNPC BEING VERY FIRM ALTHOUGH IT MAY LET ITALIAN COMPANY OFF HOOK BY NOT IMPOSING PENALTIES FOR LATE COMPLETION, WHICH HAD BEEN DUE IN FEBRUARY BUT NOW MORE LIKELY TO BE NEXT SUMMER.

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2. SECOND MAJOR ASPECT OF EXPANSION WILL BE \$70 MILLION INSTALLA-

TION OF NEW HYDROCRACKER, ISOMAX UNIT AND OTHER RELATED EQUIPMENT. KNPC, HOWEVER, HAS DECIDED NOT TO INSTALL THIRD H-OIL UNIT. GOOD CHANCE FLUOR OR FOSTER-WHEELER WILL BE SELECTED TO BE PRIME CONTRACTOR FOR EXPANSION, ALTHOUGH JAPANESE FIRM CIOTTA (SP?) ALSO BEING CONSIDERED. HOWEVER, FLUOR AND FOSTER-WHEELER RECENTLY HAD AMERICAN OIL COMPANIES (CITIES SERVICE AND MOBIL) CANCEL ORDERS FOR REFINERIES AND THEREFORE EACH QUITE INTERESTED IN POSSIBLE KNPC CONTRACT.

3. MEANWHILE KNPC CONTINUING TO LOOK INTO NEW GRASS ROOTS REFINERY. BECHTEL HAS BEEN ASKED TO REVIEW SEVERAL POSSIBILITIES. VARIABLES INCLUDE CRDUE AND GAS AVAILABILITIES AND PRICES TO KNPC, BUT APPEARS EITHER 250,000 BPD OR 500,000 BPD EXPORT REFINERY WILL GET GREEN LIGHT. IF LATTER, COST EXPECTED TO BE ON ORDER OF \$1 BILLION.

4. IN ADDITION TO THESE PROJECTS AT KNPC, KUWAIT OIL COMPANY SOURCE TOLD EMBOFF KOC CONSIDERING EXPANSION OF ITS REFINERY. CURRENTLY KNPC IS LARGEST CUSTOMER OF KOC REFINERY, AND TWO COMPANIES LOOKING INTO WHETHER KNPC'S DEMAND PROJECTIONS SUGGEST ADVISABILITY OF EXPANSION OF KOC REFINERY WHICH OLDER THAN KNPC'S SHUAIBA REFINERY AND WHICH PRODUCES A DIFFERENT MIX OF PRODUCTS.

5. KNPC SOURCE CONFIRMED INTO IN REFTEL THAT COMPANY WORKING WITH MOBIL IN CONNECTION WITH LUBE OIL BLENDING PLANT AND EVENTUALLY LUBE OIL REFINERY. MOBIL WILL PROVIDE BASIC STOCKS FOR BLENDING PLANT. FOSTER-WHEELER HAS BEEN GIVEN CONTRACT TO PREPARE STUDY FOR POSSIBLE 40,000, 100,000 OR 200,000 TON REFINERY. FIRST WOULD BE FOR DOMESTIC CONSUMPTION BUT LATTER TWO ALTERNATIVES WOULD BE EXPORT REFINERY. PROJECT EXPECTED TO COST \$20-30 MILLION. STOLTZFUS

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